

1.0 Office of Debt Collection

Summary

This program is the Internal Service Fund portion of the debt collection operation.

The Office of Debt Collection was established during the 1995 Legislative Session under Senate Bill 235. The responsibilities are broad and include the following:

- a. Collecting and managing state receivables
- b. Developing consistent policies governing the collection and management of state receivables.
- c. Overseeing and monitoring state receivables
- d. Developing policies, procedures and guidelines for accounting, reporting, and collecting monies owed to the State.
- e. Providing information, training, and technical assistance to state agencies on collection-related topic.
- f. Writing an inclusive receivables management and collection manual for use of state agencies.
- g. Preparing quarterly and annual reports of the state's receivables.
- h. Creating/coordinating a state accounts receivable database, information systems, and procedures.
- i. Establishing an automated case receipt process between state agencies
- j. Establishing procedures for writing-off accounts receivable for accounting and collections purposes.

	FY 1999	FY 2000	Difference
Revenue	Estimated	Analyst	99Est/Analyst
Lic/Fee/Prm	\$120,000	\$47,500	(\$72,500)
Dedicated Credits	357,700	153,000	(204,700)
Int Inv Rst	57,300	21,600	(35,700)
Total	\$535,000	\$222,100	(\$312,900)
Expenditures			
Personal Services	\$70,000	\$70,300	\$300
In-State Travel	800	800	
Current Expense	453,400	140,200	(313,200)
Data Processing	10,800	10,800	
Total	\$535,000	\$222,100	(\$312,900)
Net Operating Income	\$0	\$0	\$0
FTE Standard	1.0	1.0	0.0
FTE Building Block	0.0	0.0	0.0
Total FTE	1.0	1.0	0.0
Auth. Capital Outlay	\$0	\$0	\$0
Retained Earnings	\$16,900	\$16,900	\$0

2.0 Budget Highlights

2.1 Pilot Program is underway

In a July, 1998 report to the Executive Appropriations Committee, the Legislative Fiscal Analyst notes that the Office of Debt Collection has initiated a pilot program wherein a private sector firm has been hired as the state's collection agency.

The "Pilot Collection Project" will be the Office of State Debt Collection program to compare performance of current collection processes in the State against leading-edge industry options and to determine the most appropriate methods to collect the various types of receivables in the State. Originally included in the project was the option to collect nonsufficient funds checks electronically.

The "Pilot Collection Project" will include a combination of third party private sector collector(s), a private sector collector contracted with the Office of State Debt Collection as its designee, and current dedicated collection personnel in the Juvenile Courts, Office of Recovery Services, Tax Commission, and Workforce Services. The project will attempt to consolidate debt by debtor across agency, evaluate automated collection systems, focus on immediate collection of past due receivables, and benchmark current performance measurements.

Possible Legislative Action Required

Should the pilot project prove successful, legislative action may be required to implement certain aspects of the program permanently. Specifically, the Office of State Debt Collection has reported that direct interface with banks for electronic collection of non-sufficient fund checks would require a statutory change.

2.2 Estimate of Total Outstanding Debt

According to the Division of Debt Collection, as of June 30, 1998, Utah had more than \$946 million in gross short term receivables. More than \$751 million of the those receivables are past due more than 31 days.

Over 80 percent of the State's outstanding accounts receivable is estimated to be owed through two agencies, 1) the Utah State Tax Commission and 2) Office of Recovery Services. Both of these organizations have unique circumstances, but those should not stop timely and effective collection of outstanding receivables. Yet, in FY 1998 Tax and ORS had written-off almost \$400 million of the gross receivables as doubtful accounts.

Under the pilot project, about \$2.5 million has been placed with private collection agencies. The Analyst believes that this type of central collection is needed to recover all short-term receivables, and eagerly awaits the pilot program's results.

A summary of the State's collection history under the pilot project, as well as a summary of outstanding receivables for FY 1998 can be found on the following pages.

Collection history

Outstanding Debt

3.0 Program: Debt Collection

Recommendation

The Analyst is recommending the agency request of \$222,100 in revenue and one FTE.

Statement of Revenues and Expenses				
	FY 1998	FY 1999	FY 2000	Difference
Revenue	Actual	Estimated	Analyst	99Est/Analyst
Lic/Fee/Prm	\$8,900	\$120,000	\$47,500	(\$72,500)
Dedicated Credits	15,400	357,700	153,000	(204,700)
Int Inv Rst	3,500	57,300	21,600	(35,700)
Total	\$27,800	\$535,000	\$222,100	(\$312,900)
Expenditures				
Personal Services		\$70,000	\$70,300	\$300
In-State Travel		800	800	
Current Expense	10,900	453,400	140,200	(313,200)
Data Processing		10,800	10,800	
Total	\$10,900	\$535,000	\$222,100	(\$312,900)
Net Op. Income	\$16,900		\$0	\$0
FTE Standard	1.0	1.0	1.0	0.0
FTE Building Block	0.0	0.0	0.0	0.0
Total FTE	1.0	1.0	1.0	0.0
Auth. Capital Outlay	\$0	\$0	\$0	\$0
Retained Earnings	\$16,900	\$16,900	\$16,900	\$0

Summary

A "Pilot Collection Project" has been initiated under the direction of the Office of State Debt Collection to compare performance of current collection processes in the State against leading-edge industry options and to determine the most appropriate methods to collect the various types of receivables in the state. It includes a combination of third party private sector collector(s), a private sector collector contracted with the Office of State Debt Collection as its designee, and current dedicated collection personnel in the Juvenile Courts, Office of Recovery Services, Tax Commission, and Workforce Services to achieve the following ends.

1. Evaluation of collection system(s) which automate such activities as personnel scheduling, telephone call management, correspondence - legal and routine, consolidation of receivables so all money owed the state by an individual may be collected as a single account, and on-line access to data in external systems thereby introducing efficiencies into the collection process. Efficiencies of some systems, both in other states and the private sector are purported to achieve productivity gains significantly greater than are being experienced by the state today.
2. Flexibility to customize the collection process for the various types of receivables that exist in the state today. This customization along with the

proposed legislative changes as mentioned above will give a full test to the system and measure the effectiveness of the remedies available to the state.

3. Capability to interface with Financial Institutions for the purpose of collecting NSF checks electronically and notifying, assessing and collecting the service charge electronically.
4. Focusing on immediate collection of past due receivables for agencies when they are transferred to the office.
5. The results of the Pilot Project would be used to benchmark against current performance measurements to determine the effectiveness of the system and/or other processes in the state.

4.0 Tables: Office of Debt Collection

Revenue	FY 1998	FY 1999	FY 2000
	Actual	Estimated	Analyst
Lic/Fee/Prm	\$8,900	\$120,000	\$47,500
Dedicated Credits	15,400	357,700	153,000
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Expenditures	FY 1998	FY 1999	FY 2000
	Actual	Estimated	Analyst
Personal Services		\$70,000	\$70,300
In-State Travel		800	800
Current Expense	10,900	453,400	140,200
Data Processing		10,800	10,800
Total	\$10,900	\$535,000	\$222,100
Net Operating Income	\$16,900	\$0	\$0

FTE/Capital/Earnings	FY 1998	FY 1999	FY 2000
	Actual	Estimated	Analyst
FTE Standard	1.0	1.0	1.0
FTE Building Block	0.0	0.0	0.0
Total FTE	1.0	1.0	1.0
Auth. Capital Outlay	\$0	\$0	\$0
Retained Earnings	\$16,900	\$16,900	\$16,900